

D R A F T

**CDPAC Meeting Minutes
January 15, 2003
Hyatt Regency Sacramento**

Welcome and Introductions

Kathy Malaske-Samu welcomed everyone and began the meeting with introductions of the committee and audience members. She shared her thoughts on the Governor's proposed budget and the mid-year proposal to eliminate CDPAC:

For most of us, the suspense is over. On Friday afternoon, January 10, we had the opportunity to see the Governor's proposal on how to mitigate what some say is the worst financial crisis the State has been in for a very long time. Realignment is a strategy proposed to deal with this serious shortfall. It would be easier to support if it were not a financial decision. To be told that only state preschool and after school programs are educationally oriented and that the range of other child development services are not, was insulting to those who have worked in this field. Beyond that, there are some concerns that the committee should keep on top of and recognize that we are on a fast track for a lot of proposals that were presented in December as well as on Friday. It appears that dollars allocated to realign programs – child development, medical services, foster care, child welfare services – can be moved across programs. In LA County, they are facing a serious health care crisis; it makes me nervous to wonder where the child care dollars will end up and how decisions are going to be made. These and other issues are going to have to be monitored carefully and we must be supportive of each other as we go forward as this is going to be a tough, tough battle. We cannot allow a child development system, flawed and imperfect, but a system nonetheless, to be dismantled completely. A part of that dismantling is the elimination of CDPAC. This cut was proposed in the Governor's Mid-Year Spending Reductions. Particularly if we are looking at the devolution of services, information sharing across counties is even more important than ever before. The inclusion of this proposal in the Mid-Year package means the Governor wants the Legislature to act quickly.

Ms. Malaske-Samu said she hopes that those who feel they can support the Committee's existence will communicate that to the Governor and Legislators. The timeline for creating a sophisticated strategy is very short. At this time, any actions to preserve the history of the committee and its contributions to the field in general must be made by the people in the field.

Committee Business

The December meeting minutes were unanimously approved.

Director's Report

Kay asked to save her report for later in the afternoon so that Jean Ross would be allowed more time in her presentation.

Balancing the Budget in 2003: Is it Possible and At What Cost?

Jean Ross, Executive Director, California Budget Project

Kay thanked Jean and commented on how fortunate we are to have Jean Ross here with us since she is the expert on the budget and is in much demand around the country. She has been quoted on NPR and was on the Bill Moyers NOW Show this week.

Ms. Ross thanked CDPAC for the time to speak on the budget crisis and said there are many experts on the budget, some of whom are Legislative staff who cannot be quoted but who are very

helpful to her. She said her office is still processing the information about what this all means as the answers are many and complex to a problem of this magnitude. Some years the impacts are obvious, but this year it is going to take all of us a long time to figure out how the State moves out of the problem that it is in. I'm going to start with the big picture and try to answer some specific questions as well.

It is always good to look first at how we got into this mess in the first place. The most frequently asked question of the California Budget Project is, "How did the State go from having a \$10 billion surplus to a \$20-30 billion deficit in such a short period of time? Is it a gross mismanagement? Is it the energy crisis? What is it?" Let's start by getting clear that it is not the energy crisis. This is probably the biggest public misunderstanding. If there is one silver lining that has happened over the past several months, it is that the Treasurer has been able to sell the revenue bonds to repay the state general fund for monies loaned to purchase energy for consumers. The General Fund has been made whole. While the continued decline of the stock market is responsible for the problem in large part, interest rates were fairly favorable and the problem being paid for by ratepayers and is not the cause of the deficit. Anything anyone can do to educate the public about this would be terrific. So, if that's not the problem then what is?

If you look at the drop in revenues, and specifically the drop in tax revenues, personal income tax collections attributable to stock options and capital gains, in a two year period, dropped by \$11 million a year, which is a stunning drop virtually overnight. So, the next most frequent question is, "Shouldn't people have seen it coming?" Yes. There were certainly signs that it was volatile revenue. But no forecasters thought it could go down by the magnitude that it did. And there was certainly a lot of push and pull on the way up, which gets to the other cause of the problem. As budgets were crafted in the late 1990's into 2000, there were spending pressures on the way up and tax cuts. There was a series of budgets from 1996-2000 that increased spending on one hand and decreased taxes on the other. This is a recipe for problems in the future unless you have some way to ensure that your revenues are going to increase back to your cost of doing business and that hasn't been the case.

If you look back over the past decade, by our calculations, the annual cost of all the different tax cuts that have been made is about \$8 billion a year. Spending increased by \$21 billion. Of that, over \$4 billion is the cost of the tax cuts, specifically the Vehicle License Fee. The remaining roughly \$17 billion is increased spending. About two-thirds of that number is from education, which included child care, K-12, higher education, and a very substantial Cal Grant expansion. The next biggest chunk is health care, and that really comes from two factors: the Healthy Families Program along with the Vehicle Licensing Fee reimbursement. Those two programs are sort of tied for the fastest growing part of the budget. Other expansions of health coverage many of which are proposed for roll back in terms of parents were the 1931B program that provides coverage to low-income families, and the elimination of quarterly status reports that again is slated for reinstatement in the Governor's budget proposal. By and large the biggest chunk of money was for education from PreK to higher ed. A smaller chunk of money was for health care. A little bit of money went to social services, but all on the aging and disabled side. The state has flat-funded welfare since we enacted federal welfare reform; that is not the problem. Smaller chunks of money were spent during the very good years for transportation and housing, and a moderate increase for corrections. That's where the money went.

So where did we get? I think there is now some debate about the size of the problem. How do you reconcile the \$21 billion predicted by the Legislative Analyst in November with the \$35 billion the Governor announced in December? The new number to be released by the Legislative Analyst today is \$26 billion plus. The differences are largely a difference of opinion about

what's going on in the economy. The Governor is about \$6.5 billion more pessimistic than the LAO. The spending figure differences are attributable to inflating of costs that were then scored as savings. I don't know why they did it this way. I don't work for the Administration. They essentially inflated costs by \$4 billion and then said they weren't going to fund those costs and scored \$4 billion in savings. It doesn't buy you anything in terms of savings. It's a smaller problem, but it doesn't buy you the ability to save Stage 3 or the 1931B program.

The best estimate sounds like a budget gap in the high \$20 billion range. That's about a third of this year's budget spending and by any way, shape or form an unprecedented budget problem for the State, particularly following what was done last year and the fact that all of the forecasts for the future suggest that we're not going to grow our way out of this problem the way we have before. If we look back at the 1990's when the State really did grow its way out of the recession, it was a very different type of recession, sort of a classic recession. We had an industry in decline and the State's economy changed. New industries grew up and we recovered. From everything I've read and everyone I've talked to, I don't believe that most economists believe we will ever go back to stock options and capital gains at the levels we saw in those years. I believe we can't just muddle through this. I think there has been some suggestion that we just roll this over for a few years and don't make those tough choices. I don't think that will get us where we need to be. I think this is a budget problem that will have to be solved by tough choices, which is, by and large, what the Governor's budget did. There are some really ugly things on both the spending and tax-increase side of the budget.

So how is the gap solved? If you take the Governor's definition of the gap, which you have to do to match his definition of the solution, \$13.7 billion of his \$34.6 billion gap is program savings and cuts; \$8.2 billion worth of realigning a whole constellation of programs, transferring more or total financial responsibility to Counties along with additional resources to pay for them; \$5.1 billion in cost shifts and reductions to local government, which fall into three categories: eliminating the backfill of city and county revenues lost to the Vehicle License Fee reimbursement except for the part that goes to fund 1991 realignment of mental health and social service programs; shifts within redevelopment funding that primarily affect cities and \$2.2 billion in other fund shifts; \$2.1 billion in transfers and other revenues, the largest piece of which is an assumption that the Tribes engaged in gaming in California will decide that they want to give the State \$1.5 billion when the State renegotiates their gaming contracts. \$3.3 billion is other loans and borrowing, some of which is the deferral of payments and mandates to schools and other levels of local government. About \$1.5 billion is the deferral of payments to PERS for public employee's retirement. You can discount the program savings amount by about \$4 billion, as I explained.

Three taxes are proposed to be raised to fund the realignment: reinstatement of the upper income tax brackets at levels which are where the 1991 brackets would have been if they had continued to be used (\$136,00 for single taxpayers and \$272,00 for married taxpayers) --this is about the top two percent of taxpayers; a one-percent increase in the State's sales tax rate; and \$1.10 per pack increase on cigarettes and tobacco products, of which \$100 million would go to repay Prop 99 and Prop 10 and the Breast Cancer Fund and the remaining amount would fund realignment.

The proposed realignment is probably the most significant proposal in the budget. It is motivated in large part to allow a tax increase to avoid the interaction with Prop 98. That said, I believe that the 1991 realignment, which was similarly motivated, was in many ways a success. By moving programs out of the State budget to the local level with a dedicated funding source, mental health services in particular are far better off today than they would have been without realignment. There are some Counties that have been able to do interesting things making use of the flexibility

provided by realignment. It is certainly a mechanism that we should not oppose in principle. That said, I think there is a very critical need to look at whether the programs slated for realignment make sense. I think one of the critical questions is, will the anticipated revenue growth keep pace with the anticipated program costs? The two programs that stand out to me are Medi-Cal long-term care and In-Home Supportive Services. The growth trajectory for those is very rapid and no revenue source will keep pace with the increase at the current rate. The unit cost for an individual going into long-term care is so high that you may set up some disincentives for eligibility determination, for example.

There is a question about the lack of administrative funding in this proposal. Where Counties don't have an existing infrastructure, delivering services would be a concern. The initial proposal would send out money based on past funding proposals. We have very little information on this, but the budget document suggests that beginning in 2004-05 there would be a block grant to Counties for all of this. Stage 2 and 3 child care are slated for transfer. Stage 1 is not. It appears that the Governor's proposal adjusts the Prop 98 guarantee downward by the amount of child care programs that would be transferred as part of realignment. It takes that amount of money out of the guarantee. I want to be very precise because Prop 98 is a single number that applies to all of child care through Community College; it does not guarantee any program within that constellation a piece of money. It appears that with the exception of Stage 3, other child care programs were fully funded. I think there are some serious policy considerations with respect to the elimination of Stage 3 and what will happen to those families when they lose their child care. The research that my organization and a number of others has done would suggest that the parents who would lose child care when they reach their time limits have very low earnings and in all likelihood will not be able to absorb the full cost of child care on the open market. I think this is where there is a philosophical difference of opinion with respect to whether or not there is an inequity between the general child care program and the CalWORKs system. These are families who, because they have worked their way into stable employment, would probably be at the bottom of the waiting lists but could have been at the top in a system without time limits. The one other thing that the realignment proposal would do is reduce General Fund expenditures to a point where Prop 49 would not kick in until somewhere in excess of five years. If realignment does not occur, we project it would be delayed by just one year beyond the date specified in the initiative.

The other significant proposals are in health care. By and large children's programs were left intact, including an augmentation for express lane eligibility for children who are in Food Stamps and other programs moving on to Medi-Cal and Healthy Families. However, I think there is a substantial body of research that says when you cut back coverage to parents, oftentimes the families don't enroll and I think you would expect some attrition of children due to the elimination of coverage for parents. There is a proposed reduction of Medi-Cal provider reimbursement rates by 15 percent; an underfunding of welfare-to-work services within CalWORKs, as well as a six percent grant reduction in cash assistance payments to families.

This is a very substantial and significant problem that will take short term fixes and long term fixes. If there is a silver lining, it is that it should point to a need to look at how we fix the budget process and whether we need to look at our underlying tax system and what it means, and how we fund public services in government. Those changes are hard when you don't have the money to smooth over the winners and losers, but there seems to be very wide agreement that there are things that need to be fixed.

Q: *Dianne Philibosian:* Where do the cost savings occur in devolution?

Jean Ross: I don't believe that other than the explicit policy choices, there will be program savings. The difference is that by avoiding the Prop 98 guarantee, you increase the amount available to Counties for these same programs. This is very comparable to the 1991 realignment.
Kathy Malaske-Samu: Who would pay the administrative costs for CalWORKs Stage 1?

Jean Ross: Realignment would pay an increased share of cost for administration.

Q: *Pamela Sorlagas from Los Angeles Child Care and Development Council*
I understand the Governor is trying to move to ways of financing the state expenses that do not have as much fluctuation, but I am concerned. How do the Counties see this fluctuation as affecting their abilities?

Jean Ross: The Counties would have to answer this question. I believe the general feeling is the counties are open to discussion. In terms of volatility, counties see the 1991 realignment as a success. Looking at the volatility of revenues, tobacco tax is a declining revenue source; hopefully people are smoking less. Sales tax is sort of the middle of the road. It was more volatile in the middle 90's and more stable in the recession of the early 90's as well as the current recession. The top brackets of personal income tax are going to be the highest growth potential this state can find. Over the past 10 years, it has posted the most growth. In the long term, that is the most resilient and robust source for potential revenue growth.

Dr. Bates shared an impression he had from the 1991 realignment when he was working at the county level. He recalls there being 3 separate pots for Social Services, Mental Health and Health (which included both Public Health and Medical Care). County officials found it favorable to have a dedicated source of income and some flexibility in being able to move up to 10 percent from pot to pot. Some made out well, but public health was a problem because it was included with medical care. It was difficult for prevention programs to compete with medical care.

There is increased appreciation for public health since September 2001, so they may have a better chance of keeping some of those funds. However, Dr. Bates expressed concern about putting child development and child care issues in the hands of the counties. Even though we know that Prop 10 money cannot by statute be used to supplant other dollars, it would be easy for local decision makers to say, "There is all this Prop 10 money."

Jean said that is an accurate description of how it works. The CBP is open to the concepts and would like to look at the details. She encouraged people to not reject realignment to hang onto the status quo because the alternative may be worse than some of the negative ramifications of realignment.

Q: What formula was used in 1991 for counties to get this money? Was there any guarantee that money would be dedicated for education?

Jean Ross: Yes, Proposition 98 was passed in 1988, so the situation is the same now as it was in 1999. With respect to the funding formulas, they are complex and I would have to direct you back to the original legislation or to someone in the Department of Finance.

Prop 98 it is a single number that offers no protection to a given program within the guarantee. Yes, there is an overall guarantee so you are only fighting 40 percent of the budget, not the other 60 percent, but those programs currently have no year-to-year guarantee that applies to them.

Michael Jett added that the court cases that we know about did not mention that Prop 98 had to fund child care. The case was whether they could split child development programs, leaving the school programs in 98 and taking the non-school programs out of 98. The courts said you could fund them all in 98 or all out of 98, but you could not split them.

Q: In some counties there is no infrastructure to administer these funds. Is there a restriction on how much individual counties can use for administration? Would it be legislative?

Jean Ross: I am not aware of a bill that has been introduced. Yes it would be legislative.

Q: *Kim Thomas from the Children's Network of Solano County*

I was surprised to see the governor impose the upper income tax bracket instead of the reinstitution of the VLF. I thought the VLF would have been easier somehow. Do you think reinstating the original VLF amount is part of the solution?

Jean Ross: There are a number of articles from the morning papers quoting various legislative leaders as saying that is an option they would wish to consider. However, everyone is still sorting through all of the facts. There may be constitutional restraints and other reasons this was not proposed.

Q: *Mary Emmons*

I just wanted to change the subject slightly and ask a question about health care cost, particularly the children's health programs. Could you say a few things about whether the Medi-Cal cuts are affecting the children's health programs?

Jean Ross: It is not clear what effect the reduced reimbursement rates to providers will have. Last year's proposal exempted services provided to children. Healthy Families' child caseload is fully funded. Again on the Medi-Cal side, none of the expansions in respect to children are reduced, and in fact there is a modest increase. However, there is some research that links the ability for parents to enroll as a factor in increasing children's coverage. I believe the Governor and his staff have stated that he is holding those programs harmless.

Q: *Steve Erwin from Kaplan Early Learning*

In reference to federal funds, child development block grant, and the possibility of Head Start going to the Department of Education, how would that impact realignment or how would that work?

Jean Ross: The President reintroduced his TANF proposal yesterday. Last year negotiations between the House and Senate increased funding for child care. The President's new proposal did not increase funding. We don't have legislative language to see how everything would fit together.

Q: *Stacy Miller from the Child Care Resource Center*

The midyear proposal proposed the suspension of COLAs for both 02/03 and 03/04. I don't see that in the proposal that was just released.

Jean Ross: It is not in there. There is actually not only a suspension of COLAs, but an actual reduction in grant levels in this Administration's proposal of about 6 percent in cash assistance grants and in SSI/SSP grants.

Q: Can you give us your realistic appraisal of the timeline for a budget this year?

Jean Ross: No. The constitution says the Legislature must pass a budget by June 15. The Legislature is holding hearings on the mid-year reductions literally as we speak and for the rest of the week. There is quite a bit of urgency since every day is a loss of savings. Beyond that, anyone's guess is as good as mine would be.

Jean Miner, from Children's Services International

I just wanted to raise concerns as we discuss dollars in realignment, that foremost in our thinking should be what would the impact be on children as we change dollars from an education institution that is focused on the well being and school readiness of children and allocate those dollars to an agency that has historically focused on the well being of families and getting the parents to work. I can tell you 30 years ago we warehoused those children in horrible environments with untrained people who were unsatisfactory providers. It would be ghastly to return to that 30 year ago cycle where children pay the price. We need the leadership of CDE, who has strived for program quality for children. So as we discuss dollars in realignment, let's look at the change the CDE has made in the lives of young children.

Kathy Malaske-Samu: Thanks to Jean Ross and the others. We will take to heart your cautions about examining carefully what realignment means. There is so much speculation at this point but we really thank you for taking the time and helping us understand a very complex concept.

Public Comment/Discussion

Kathy asked Steve Erwin to repeat his question to Michael Jett for possible further clarification.

Q: Steve Erwin

Looking at what would happen to the Federal appropriations that come to California in realignment, in addition to the CCBG, there is speculation that Head Start dollars will go through the Department of Education.

Michael Jett: It is our understanding that the block grant is part of realignment so it would be block granted down to the counties. My current understanding is that the new tax money and federal money would go down to the counties. That will require some kind of single state agency to ensure that the federal block grant requirements are being met, and most likely that will be DSS, but that would need to be established by statute and there is no bill yet.

Venus Garth: As Jean said, there is no legislation proposed. DSS is looking at what would we have to do if we do assume the Child Care Block Grant. Many of you may have heard from the director of DSS, Rita Saenz, who is extremely committed to the well being of children. There isn't anything that I have heard that reduces or changes the quality initiative or any of that money that is dedicated to those efforts. But, as Michael says, we haven't seen anything that mandates DSS as the single state agency. That doesn't mean we aren't looking to see what we would do if that were to happen. We do have to be prepared, but there is no proposal that we are aware of at this time.

Q: Kim Thomas from the Children's Network of Solano County

I'm curious what DSS may be looking at in terms of the rest of realignment, particularly child welfare being realigned to the counties. Is there any talk about the continuing role of state departments, whether there will still be statewide data collection, statewide standards and that kind of stuff?

Venus Garth: That's a great question because yesterday afternoon we were struggling with that. Child Welfare is in a different division than child care is at this point. We were directed to look at the federal mandates to the states for continuing to meet the block grant requirements. What would be our preferences? What would be the counties' responsibilities? What would the state retain? Then there are the issues of the risks, our data collections systems that are statewide right now. If all of that is delegated to the local level, how do we roll that up into one state report to the federal government? We haven't figured that out yet, but those are the questions that are being put on the board now for us to consider. That's a great question because we don't know either. I know that the Children's Services Division and the Welfare to Work Division are looking at those very questions. If you have any suggestions or concerns, I would be happy to hear what they are. Is there anything in particular that you would like for us to think about?

Kim: I think it is very important that we continue to have statewide standards that are consistent with federal standards. The rules that come with the money say that you can't diminish the quality of child care or the standard by which you would make the decision to place a child in foster care. I also think it is important that we review the required data in a way that is consistent, rather than going backwards in terms of having statewide numbers, because that is what allows us in the counties to know if we are doing a good job or not. If our numbers don't have any comparable meaning to the next county, we won't have a chance to know where we are.

Venus Garth: I would just suggest that the CDSS web site does have our budget highlights that pinpoint the major changes in our budget as they stand now. You may want to pull that up and look at it. It is my understanding that the State still retains the data reporting responsibilities and not the counties, but I am not sure if it specifies whether a county can do their own thing and give us what they want. It sounds like there are systems that are in place that you would like see retained.

Q: Merrell Schexnydre

In the past, counties prepared needs assessments, which were then submitted to the State, and allocations were made based on demographic information from that needs assessment. How will funding priorities be set and funds be divided among counties now?

Venus Garth: I don't think that has been determined. Whether there will be some kind of allocation methodology and what that will be, no proposals have been submitted for consideration.

Michael Jett: There are two possibilities: start with what you have at least the first year and reallocate current allocations. The other possibility is that the dollar amounts could be realigned because over time there is some concern that some counties are getting more than their share in terms of the children that they have who need the service. I think those are your starting points. Either start with what you have or use a new formula, which aligns according to some kind of demographic and need data. When we've gotten expansion monies we've used a needs versus resource formula to try to achieve equalization over time. That would be a possibility under realignment. As Venus says, this hasn't been worked out but I think those would be the starting points we need.

Kathy Malaske-Samu: I'm sure counties getting more than their fair share will ante up.

Dr. Bates: Just a real quick statement that maybe along with realignment we take a look at redefining what we are. Maybe recognizing ourselves as prevention programs rather than care

programs because having the children in good, quality care situations will prevent many of the things that we are talking about that impact our communities. So instead of looking at child care, maybe we are looking at prevention.

Nancy Strohl, Executive Director, Child Care Law Center

Just very briefly, I have a five page initial response to the Governor's budget and policy proposals from the Child Care Law Center. At the risk of being premature, we have very serious concerns about the Governor's proposal, based on being involved in planning and looking at state standards on a state level and many efforts with CDPAC to develop a master plan. We think these are very complex issues. When you look at the continued revenue crisis, the Governor's budget is kind of "punting" some of the decisions about how you balance eligibility and quality and do you fund the state contacted centers as well or more kids. The counties are going to end up with very different systems from county to county. Looking at Texas and Colorado (the CCLC does extensive work with Texas), we've seen how the quality of care for low income kids, and how well you do it, totally depends on what county you live in. We have some very serious reservations when we look at this and we hope we can continue to say that California has an early education system. We see a lot of wonderful things CDE has done that are important to preserve that at a state level.

Kathy Malaske-Samu: I was told the realignment effort is based on what was done in Texas.

Nancy Strohl: I was just comparing it to Texas because there are some similarities. If you want to look at what happened in Texas, we can give CDPAC the web site for a report done by an independent evaluator.

Kathy Malaske-Samu: I think that might be helpful for us.

Dr. Bates: I just wanted to comment on the previous statement about a focus on prevention. I believe in prevention, but when you get to counting dollars, sometimes the immediate needs are more compelling than prevention down the road. I have mentioned the prevention aspects, and there is research behind a number of those of issues but look for the compelling "right now" type of issues.

Pat Dorman from On the Capitol Doorstep

As one who has watched for 30 years as child care was being built, to see it suddenly disappear in the budget, from 30 odd pages down to two, I can tell you it was quite a shock. I don't care if its DSS or CDE, we are talking about compelling needs. Young children are in need of education and understanding. They need to be cared for by someone who really does know what early care education is. I'm not so sure we are going to be going in that direction. DSS has a job and that job is very important to the State of California. And CDE has a job. Thirty years ago, this battle was decided to go from DSS into the CDE, because our field felt that the link to education was so important, that when we are looking at children and families we must not give up. That link is a very important link because yes, you have to have a healthy child. Yes, you have to have a health family and all those other services are so important and no one would ever disagree with that. But when you look at the family and the person that is with that child all day long, it is the educational component and how we meet the needs of that child, not looking at the parent who has to work. We have to have a place where we look at only that child and see and meet the needs of that child. So if we go forth with this world, how are we to meet the needs of those children? Those children, not the parents, the children. I am here speaking on behalf of that child. Any and every child in the State of California needs your help right now. I am really panicked. I am really saying to you that I cannot sit here without saying that we cannot be here without speaking

out for our children. I cannot ever leave this room without thinking that I had said something to you all. I am about to retire in a few years. I will not be here. Somebody has to speak up for those children. Who are you who are going to be taking over for us? It's you, not me, because I won't be here. When I walk out that door, which I am about to do right now, I hope that we have a place for our children where they can get an education and that only they are getting the best not the families working because they have to. We know that. We know all the services available. We know that we need help for those children who are abused and we know that we have to help those children who are not healthy. But where is the educational component?

Kathy Malaske-Samu: We are going to have to keep that passion alive for quite awhile. We have a long road ahead of us. What I would like to do at this point, because I neglected to ask when we started the meeting, is ask if there are any announcements or public comments before we break for lunch.

Dianne Philibosian: I just want to make one comment to follow Pat. It is absolutely essential that we address the total education of these children because they are going to be the future taxpayers who are going to prevent us from ever being in this place again.

Mary Emmons: I really must say before we close this topic that I want to put forward the urgent plea that we organize something now to address this. We should organize something that involves CDPAC, at least for the six months that it is still going to be here, along with the other leaders and the other children's advocacy agencies. I don't know if there is an effort that is being organized already, but we shouldn't leave this topic before moving to the next step.

Kathy Malaske-Samu asked the audience for information on advocacy efforts, including a rally planned for February 17th in LA and Orange County.

Nancy Strohl from the Child Care Law Center responded that workgroup meetings have been convened to look at statewide standards and other issues. The meetings that were planned for this week have been postponed at least a month so that there can be more thinking and preparation for a response to the Governor's budget proposals. Also, the Children's Roundtable is meeting on Friday at the Westminster Presbyterian Church at 12 p.m. It will be a very important meeting because it is critical that advocates from child care, health, social services and other programs look at all of the different parts of realignment together.

Ms. Malaske-Samu stated that the issue of the realignment in the budget has a slightly longer life than the mid-year reductions and the elimination of CDPAC. That does require that we as a committee articulate our positions and that we have support from the field on those positions.

Louise Johnston from CACSAP

I think what you are suggesting is right on. Advocacy is the one word that I kept screaming in my mind. I noticed even at the LPC Conference there is nothing there really specifically talking about advocacy. And you know back in the days when we were fighting for local planning councils, begging people to sit down and talk to one another, which we couldn't even get them to do. The whole concept of LPCs were to pull together every program, if possible, in your community to talk about common need. Now, if LPCs have been successful in any way shape or form, they need to be taking that out of that room and out now to the community, to the mayors, the city councils, board of supervisors. When you are talking about realignment, guys like Michael, nice as he is, don't count. The people who are going to count are the people who meet and make decisions in your county every single day. If they aren't on board now, you better start doing that educational piece today, tomorrow, next week because that is where it is going to

count. If that money goes in a block grant to counties, I can tell you right now there are people who will look at that and rape and pillage it, and you know it as well as I do. That is where trying to get your local elected officials on board now is going to be absolutely key. I would suggest to CDPAC that at the LPC Conference, which is next month, that you go back and look at that, and that needs to be a very active part of that conference.

Kay Ryan: Can I just say there needs to be a distinction between what CDPAC does as a committee and what CDPAC office staff who are employees of the administration are able and allowed to do. There is no way we can go over to the Capitol and say it is really a bad idea to eliminate the committee. As clear as the connection seems to me, we are not able to do that because we are part of the administration. Members and constituents can do that on our behalf. We can provide information at your request, things you can share with the Legislators. We can do what we can do behind the scenes, but we can't lead any charge. I guess the question could be, "What could they do to you; they've eliminated you already?" But we all have retirements that we are counting on, hoping to get to someday.

Mary Emmons: We all know there are lots of ways to lead. I think we can lead by providing forums, by providing information, by bringing people together and so on.

Kathy Malaske-Samu: I want to share one of my issues that I think is going to complicate our advocacy. It doesn't mean we aren't going to do it, but it will complicate our advocacy. At this point, the Governor has not reduced the amount of money available to child care, with the exception of Stage 3. The dollar amount has not been reduced. What is being proposed is a different administration. We have to be careful as we advocate for that, that we keep central to the focus, the children to be served and the vision of the program that we want to see in the future. I think we have to be careful about not being totally self-serving and not being unwilling to consider an alternative concept. I guess that is my concern.

Dianne Philibosian: Maybe by April or May we need to be publishing some briefs that just say "Should this realignment occur; who will ensure quality of programs?" And pick out a whole list of criteria such as, "Who will do teacher verification and certification?" "How will all of that happen to ensure that we are providing the very best early care and education for the children?" There needs to be a plan that ensures that as it becomes realigned.

Kathy Malaske-Samu: I don't think we should wait till April or May for that. I think those are the questions that we need to put forward for the Legislators at this point. I think they were as surprised by some of the proposals as we are. So we have to help them with those real hard questions about the little things.

Dianne Philibosian: Maybe we aren't resisting realignment, but identifying the issues and raising questions about how they are going to be addressed. We want some assurance that they are going to be addressed so that program quality cannot only be just maintained but enhanced. We want that across programs for every child in California, and whether it is a CDE funded program or through DSS, doesn't matter.

Ms. Malaske-Samu asked again if there were any public announcements.

Mark Carlson: For those out and about at lunch, the California Hunger Coalition is having a bake sale on the north steps of the Capitol.

Announcement: Assembly Subcommittee on Education Finance is meeting at 1:30 in Room 4202 to vote on Stage 3.

California Child Care Coordinators Association: Supporting Local Child Care Planning
Kathi Walker and Jan Peterson, Co-Chairs

Good afternoon and thank you. I am Jan Peterson from Riverside County, the LPC Coordinator and also co-chair with Kathi of the CCCCA. We appreciate this opportunity to talk with you about a couple of aspects of what we do, particularly in light of this morning's discussion. What we want to talk about is both the CCCCA, which was newly formed last year, and the role we might be able to play in the whole budget process, as well as how we work and interact with the LPCs. The mission statement for the Coordinators Association is that the child care coordinators will "promote, support, and improve the coordination of local efforts to provide early care and education services for children in California." The purpose statements are to act as a forum for sharing knowledge and information among the members of the Association and the general public; to provide leadership and resources in identifying and addressing key issues and we certainly have our work cut out for us this year; as a voice for communicating these issues to the Association, County Boards of Supervisors, County Superintendents of Schools, the California Department of Education, the Legislature, and other related organizations, and the public; and to identify training and technical support needs both for our members and for the communities at large. We also want to promote the professional development, education and training of the membership and identify opportunities for joint projects and collaborative efforts. We assist Local Child Care Planning Councils to meet state mandates and undertake other activities as identified.

The Association is composed of City Child Care Coordinators of which there are still about 25 or 26 in key cities around the state, County Child Care Coordinators of which there are an equal number, maybe a little less now, but 20 or so of us at County level. Then Local Planning Council Coordinators, of which there is one in each County of the State.

In comparison and conjunction with that, we thought you might like to think about the mandated council composition and how that plays into the role of the Association to assist and enable coordinators. Membership is 20 percent child care consumers/parents, 20 percent child care providers, 20 percent public agency representation (usually key departments within the counties and the cities), 20 percent public member representatives (which is your CBOs) in most counties, and 20 percent discretionary representatives. Utilizing that composition has enabled coordinators to work with a diverse group of people and makes it possible for us to do our job more effectively and to bring more information and assistance to the communities.

The legislative history that defines local planning councils has driven a lot of this activity and the formation of our association. I know some of this was discussed at previous meetings, but just to remind us: In 1990, the Child Development Block Grant from the federal level helped establish LPCs to set priorities for subsidized child care and development funds. The state matched that in 1991. In 1997, funding was provided for LPCs through legislation. In 1998, there were some procedural changes to assure that new child care funds were targeted to underserved and unserved populations and we began establishing priorities that were utilized to determine placement of funds for additional state preschool programs and general child development.

Local Planning Councils have been an integral part of this process since 1990, and city/county child care coordinators have also been directly involved with all these processes and providing input along with local planning. In 1999, we had the AB 212 initiative, which provided retention incentives to the child care provider community to improve and increase continuity of care and reduce turnover rates. In 2000, LPCs were included in the Federal Quality Improvement dollars

allowing for a full time coordinator in every county. This was a significant and monumental change in improving the overall picture of child care coordination. In 2000, we had the SB 1703 initiative and the funding that is still coming out for that for services for children with disabilities. In 2002, the State strengthened LPC mandates regarding data collection in AB 2311. Plus, even though it was legislated in 2000, we began to process or forming our CCCCA, which for many of us in the room, who have been involved in child care coordination for many years, was the realization of a dream. We are also very appreciative, and I wanted to express that at this time, to CDE for its support and for providing staff and assistance to LPCs and helping to drive this overall process of coordinating our child care efforts throughout the State.

Kathi Walker

The funding came to our attention through the AIR research that was just conducted in June/July of 2000, which allowed us to look at quality improvement dollars and what their impact was with LPCs. As we read the information we thought “Wow! We just became fully funded.” As coordinators, we were looking at that research saying, “We do so many more things than that.” This fall we decided to turn to our LPCs in each county and find out the overall impact of our activities since June of 2000. So we sent out a survey to the 58 counties and had an 86 percent response rate. I want to share those responses with you.

What I have tried to do is take the five key responsibilities or roles the LPCs could play in your local community and break out the information accordingly. Those responsibilities are: *developing local representation, developing community partnerships, accessing community needs, conducting strategic planning, and leveraging funds.*

First, we will discuss *local representation*. *Community partnerships*, of course, are bringing all the folks together at the table. Community needs assessments, which we talked about, is one of our many mandates and is very important to us. *Strategic planning* ensues from the needs assessments that are conducted in each county, and LPCs are using those plans to meet the needs of the community.

Under *local representation*, I like this quote from the AIR research: “presence of a salaried, full-time equivalent LPC coordinator has resulted in a range of positive outcomes such as increased LPC visibility, increased training opportunities, an expanded role within county governments, and enhanced opportunities for collaboration and coordination with community partners.” Interestingly enough, we took this on from June 2000, which is just about two and a half years ago. The average employment of LPC coordinator is 2.4 years, which is just enough time to get contracts on and get full time folks in place. So we found some real stability for these changes in legislation.

I want to share with you, for each of these talking points, a model of what one of our counties is doing. San Benito County has partnered with the Health Department and other groups in their community to bring child care to the forefront. They have brought local officials and different county departments together at a recognition event. “In its second year, the event brought together 80 percent of the county’s child care workforce.” I am hearing that a lot from LPCs, that they are starting to see this kind of unity in their child care workforce and realizing that they contribute to the industry and are a part of the community’s workforce.

The community partners’ findings: The most notable increases in levels of collaboration from the July 2000 Survey were between LPCs, First Five Commissions and Elementary Schools. The big push in the last few years, as we know, are the Prop 10 and School Readiness Initiatives. To find that increased levels of communication came from those two places led me to believe that

councils do have the ability to address the state policy changes and resources at the local level. So we are able to interpret what is taking place at the state level and bring it to the local collaborative level. An example of this would be Amador County. Through a collaborative partnership, not only with their block grant funds, their resource and referral agencies and their housing departments, they have been able to get grant money for a home, where they have operated a Family Child Care for children between the ages of 3 and 5. They have a family apply to live there for at least two years while running a child care program. This program is monitored by Head Start. Through collaboration, they have not only been able to address their capacity for children in the community, they have been able to address some of the facility issues and have looked at housing. Once again, this is an outstanding example of how collaborative partners can meet the many and diverse issues, especially in a rural county.

From the needs assessment, we found that the process itself is instrumental in identifying issues beyond just the mandates. We found that many counties go beyond those mandated requirements. When we looked at what the top issues were around those mandates, we found that serving children with disabilities, meeting the locations and hours needed by parents in their communities, and accessing care for infants were the most often cited.

This profile is an outstanding example of one of the mandates that we weren't necessarily directly asked to do. We are asked to look at the number of children at risk of abuse or neglect. The San Diego needs assessment identified placing foster children as a very difficult task. They worked with their "6 to 6" program to change their admission policies, making foster children a priority for admission. They also asked Children's World, one of the local chains, to develop a discounted rate for foster children either full or part time. I think it is an excellent example of how through the needs assessment process, the group came together and said, "Wow! I didn't know we had this need before. What can we pool together in our community to address it?" I think this is a wonderful example of how being at the table has allowed them to do that.

In the *strategic planning* findings, the coordinators reported that the strategic planning process is instrumental in identifying the gaps and barriers in services. This is a 92 percent response. If we did not have the needs assessment locally, we would not be able to have these discussions about strategic planning in our communities. Oftentimes it is very easy to see the things you are doing well, but it is harder to find where those gaps and barriers might be. The strategic planning sessions were also found to be integral in prioritizing planning discussions, developing the competence of plans, and identifying key partners in the community to bring to the table to address these gaps and barriers. The collaborative profile that I want to share with you next is Tehama County. In Tehama County, they have worked on a Employer Sponsored Child Care Project, where they have taken three of their largest local employers and have collaborated on 100 slots in a child care center to be used by the employees of the sponsoring companies. So again, not only have we targeted and identified the need of the community, but also we are hearing from employers who are having issues with working families. They were able to build capacity and then extend that capacity to the rest of the community. This is little Tehama County up north; one hundred slots.

The last talking point is the leveraging findings. I probably got ahead of myself talking about ELOAs but we will keep it in mind when we go through this section. 72 percent of the coordinators report leveraging an additional \$48, almost \$49 million since July 2000. The average LPC will leverage an additional \$464,000 either directly or indirectly each year. Meaning whether or not the council received it, the community received it as a result of their strategic planning or having those folks come to the table and address issues in their community. These funds are used to collaboratively address county child care and development issues as

identified in the strategic planning process. San Bernardino County was the one that we heard very early on was doing early mental health, and they had received \$1 million to work with behavioral health, family preservation, IRC, and Community Based Organizations. Now they have 10 sites servicing over one thousand children between the ages of 0 and 5. I've listed the different types of screening that they have there in the community. And they found that it is very successful in early identification referral.

In closing, what we would like to say, with a lot of gratitude, is thank you for the initial investment of LPCs in each county. What we have seen just in this report is that the returns on this investment, which in some counties is one coordinator and maybe a half time staff, are at least 5 times its investment on an annual basis. Through the coordination and activities, I believe that the LPCs have shown that we can bring departments to the table to discuss the issues, the gaps, the barriers and challenges that are at hand, and to have each person take an investment in solving that at a local basis and creating solutions. In regard to the discussion that happened this morning, I think it is important for people to know that we are here, that we want to be here; we want to provide a local forum. In any way in which we can be helpful in having these conversations at a local level and then providing that information back to you we would be more than happy to join, and we would probably bring it to you as often as possible. We are also very thankful for CDPAC for having the conference and assisting us for putting this presentation together today. We are hopeful that through the conference next month, we will be able to talk about strategies and ways that we can pull whatever information that you need from the local communities to take to the state level.

Audience Member/LPC Coordinator

I want to give a special thank you to you for putting this together. From what I understand, we can use this in our own counties as an adjustable PowerPoint, and I really appreciate it. Thank you.

Kathi Walker: I would also like to add that LPCs can be regarded, particularly in this type of environment, as neutral ground. We don't own or operate anything. There is no territorial turf here. So when we are talking about open discussion and looking at realignment issues, LPCs are in position to do that, as long as we remember that we are neutral.

Dianne Philibosian: I was just going to say this is so great, it would be wonderful if somehow you could set up a list serve, to which individual members of LPCs could subscribe and then once a month put up a project profile of some county.

Kathi Walker: That is an outstanding idea. Angie Garling in Alameda County has got this list serve going but it would be good for us to expand it to include some of the collaborative and innovative ideas that we have in our counties.

Dianne Philibosian: Yes, even if you do one community profile a month or in order, that would be great information to have out there.

Cheri Schoenborn: I want to acknowledge the fact that you are approaching the kids with disabilities and including them in your efforts. It's just wonderful to finally see the Inland Region Center as a participant in one of the projects here. I wanted to offer to you as LPC Coordinators that if you ever have an issue with the Regional Center, that you can't get someone to come, contact me, and I will see if there is some way I can help to get someone there to participate. So please, I make that an open invitation to all of you.

DiannePhilibosian: I think the evolution of the LPCs and CDPAC have been very much in concert with one another. So we feel a very close kinship with LPCs and appreciate all the work that you are doing. You are a real powerhouse as a group and that is just fabulous. Now we need you to help us by contacting your Legislators to let them know, in real specific terms, the importance of CDPAC and what it means to you and your continued success.

Kathi Walker: It is on the Association agenda at our February meeting and I will ask for individual advocacy as well.

Joyce Hanson: As a former chair of our LPC in Orange, we had the same issues with advocacy but recognize that members, sometimes individuals, have very strong relationships with the local policy makers and their Legislators.

Dr. Bates: I have a couple of questions that are related to advocacy for CDPAC. It is important what CDPAC has done in the past but the key is I think, how does it fit with what seems to be in the future? Now that is difficult because none of us know exactly, but I think that is the key to the advocacy. Yeah there is a track record, but how does that fit with where things seem to be going? And the second is a question that I hope we don't get to but I have a feeling that we might. If it comes down to it, can CDPAC exist as an organization but with an obligation to find outside money?

Dianne Philibosian: We could do this with its original statute. In past years, we have actually leveraged funding so that we could match our entire budget and then some.

KathyMalaske-Samu: I think we'll take some of those questions into consideration as we look into developing the fact sheets. But I am going to work with Michael and CDPAC staff. We will try to get that out to folks via email, and have distribution for sure by the conference.

State Department Reports

Michael Jett, Department of Education, Child Development Division

Well first I want to say that it is really nice when you see an idea come together over time in terms of the LPCs. All the work that you have done, Kathi and Jan, and of course our office which is run by Linda Parfitt, our principal consultant to that, and Mike Silver. To see the power that you can have when people get together at the local level. As Kathi or Jan said, if realignment takes the place, your role could be even more important than it is now.

People have been kind of asking me, "How do you feel?" My first impulse is to say fine even if the sky is falling but I am also supposed to be honest. So I've come up with, "Hanging in there." I think what we are experiencing is what you're experiencing. There is not a person in our division who isn't passionate about these programs. You can talk to our clerical folks, our analysts, most of our child development consultants, and they're all there because they care about children. The best analogy I could come up with was when I was a pediatric service worker and we would have to tell a family that their child had a serious illness. The first thing you experience, and we certainly experienced this as a department, is shock. At first it is hard to assimilate the data and you think when you go home, you really don't know what they said to you, and you have to come back and get clarification.

Then, as you know, most people move into denial, which is where I am trying to park myself for the time being. But some of you I have moved right on to anger, for which I applaud you, especially if it's channeled appropriately. And then of course there is the stage that is called bargaining, which in this case is advocacy and negotiation. If the realignment juggernaut does

take hold and eventually acceptance of a new reality, for us it is a reality that basically takes away a 60-year history of early childhood education from us in terms of our children center programs. That of course is a concern to us. What I wanted to do, and I think most of you know this; I just wanted to go through this specifically and then you can ask some questions and so we can understand what we are talking about. Two things would basically be left in the department. One would be our State Preschool Programs and a small amount of money that goes with them for quality, which is \$5 million. The other is what used to be the After School Learning and Safe Neighborhood Partnership Program, which is in our budget but not in our Division. This is the program the Schwarzenegger Initiative basically modeled and changed. Those would be the two programs left in the CDE. Out of the \$2.3 billion of programs we oversee, we would have about \$300 million left in our Division.

What would go as a statewide program would be our General Child Care and Development Program, with a history that traces back to 1943 under the Lanham Act. That is a \$616.5 million program. Several related programs that operate basically under the same Title V Education Requirements as those programs, are of course our Migrant Child Care and Development Program and it's the same as General Child Care, except of course it's with children of agricultural workers. That is about \$32.5 million. Also our Campus Child Development Programs. We put about \$9 million into that, but we also fund a lot of them through General Child Care and Development, so we don't know how many Campus Programs are funded through General Child Care and Development. Another program that we would lose as a State program would be our School Age Community Child Care Services Program, which is called our Latchkey Program. It is a before and after school program and summer program for children with working parents and is about \$30 million. Alternative payment programs as we know them, at least at the state level, would also go, and that's about \$212.3 million, as would CalWORKs Stage 2 at \$638.9 million and Stage 3 at \$358.5 million.

Our whole infrastructure that we do for pre service education, in-service education, staff development, developing best practices – Program for Infant Toddler Caregiving, school age consortium type programs, as well as the desired results kinds of systems, will go. The only two programs that will be left would be training on pre-k guidelines and the articulation project, the pre-k programs. So the whole infrastructure at least as we've laid it out, would not longer be required. It is possible that it may be picked up on the other side, but the whole quality infrastructure, which is the infrastructure for early care and education, would be lost.

Now what would happen basically, as was mentioned, about \$967.6 million would be pulled out of Prop 98 and I've been thinking about what Jean said -- it just wouldn't be there; we don't have it. That's why it's being pulled out; that's why it's being taken out of Prop 98. It would be backfilled with these taxes that would be collected from July 1st on the local level. That would be added with the \$863 million CCDF, that's about \$521 million of our money plus TANF transfers, put in a big block grant and sent to the counties. What would that look like? We don't know. If realignment takes place, that would depend on what is negotiated on the realignment legislation. That would determine whether certain things still have to happen at the State, like certain quality things. And that money would be blocked to the counties. Some of the current thinking is that everything, including some of the quality requirements, would be blocked down to the county level. Now none of this is set in stone because the negotiation hasn't taken place and the Legislation hasn't taken place. So there would be a large block grant consisting of the federal funds, CCDF and TANF blocked with the new tax revenue to the tune of \$1,031,000,000 and that would all be blocked granted down to the 58 Counties, and the formulas might or might not be readjusted.

That's basically what would happen. Our strongest reaction was, of course, to the statement that our \$700 million center based program was a child care program and not an early care and education program. It truly operates under the exact same regulations as our preschool program, which was an education program. Counties can decide on their own are they going to fund R&R's at the same levels as the LPCs, and are they going to fund these centers, but I suspect that these are all going to be local negotiations, because that is what a block grant is. You heard the issues about firewall. As I understand it, the only thing that would be set is that you would have to serve people who are participating in CalWORKs and you would have to spend your block grants plus your MOE and match. Beyond that level, unless it is structured with any kind of firewalls, there are no conditions. Certain conditions would have to be set on the expenditure of federal money because it is a federal block grant. I am just trying to paint a picture from what we know now, and a lot of it isn't settled because the five trailer bills aren't yet formed and some of those will be formed through negotiations and work groups.

The trailer bills will determine whether there is going to be realignment; whether child care is going to be considered a social service and blocked down; whether all the child care is going to be blocked down except for preschool, as was proposed; and, if so, what are the rules at the state level in terms of the state's involvement? If it is a true realignment block grant, how will that work at the local level? If it is a true block grant, then as Dr. Bates said, you will be competing with other kinds of services, treatment versus prevention, or those kind of things. I just wanted to paint a picture and see if you had any questions that hadn't already been answered where I might be able to provide any more clarity.

Q: Can you explain the concept of a firewall? How does it function and what is it exactly?

Michael Jett: There are a couple ways to block grant things. There can be a block grant with sub-categories. A firewall says, "Here is your big block grant, and you have so much for each of these categories, but you can't move the money across categories or you can only move so much of the money across categories." But if it is a true block grant, it basically says, "Here is the money and here are the things you have to do with it. It's up to you how you spend that money and that is a local decision and you have to determine local needs and that is where you put your money." But a firewall says the State has made the decision that they want this amount of resources in each category.

Q: It seems that this is the time of the year that you would normally be preparing your plans for the use of federal quality improvement monies for the next two years. How are you approaching this?

Michael Jett: Our biggest concern is, quite frankly, what is the transition? This means both our quality infrastructure and our service infrastructure. We're supposed to roll out our center-based contracts in May/June. This will all be up in the air in May/June. In July if this takes effect, we have no money to run center-based programs. The center-based programs and school districts are suppose to notify people on March 15 if they aren't going to be there next year. The second question is what should we do about the need to supply a State Plan to the federal government by July 1? At some point as this thing unfolds, we are going to have to go through a process and submit a State Plan for the expenditure of quality money under CCDF to Region IX. Transition is a big question for us. What do we tell our agencies? What do we do with all of our quality infrastructure? What do we do about the state plan? Those are very practical concerns that we are struggling with right now. There are no real clear answers. Additionally, we will lose 47 people in a department of about 80 related to child development.

Q: Would there actually be a reduction for child care dollars in the realignment?

Michael Jett: Actually, no. As I understand it, everything that we're spending this year, including enough money for the full Stage 3 caseload annualized plus a COLA, would be blocked down. So there would be this year's money plus about another \$60 million or so. Money-wise, I understand there would be slightly more money than there is this year.

Q: Was there a proposal in the mid-year cuts to eliminate the COLA for this year?

Michael Jett: That COLA doesn't affect our child development programs. It affects LEAs and the after school programs. It is a 10.88 - 10.89% COLA. From what I understand from talking to people, this doesn't affect our programs. It does affect you if you have an after school program or LEA program. These programs are apportioned to schools, unlike our programs, which are direct contracts. I think that is why they are in that cut.

Kathy Malaske-Samu: What about SB 1703 and AB 212?

Michael Jett: Both good questions. We got a freeze exemption to continue the SB 1703 contracts. We've put out \$1 million and we are putting out \$12.6 and the \$28.4 or whatever it was for playground safety, but that could come into question because of this realignment issue. If we are not going to be funding centers, the playground safety money could be a question mark. The CARES money is part of that whole infrastructure, so I assume it's in the block grant. Our budget simply has preschool; \$5 million for quality for preschool, and that means basically an articulation training project on pre-k guidelines curriculum, instructional materials and renovations and repair and anything else we can squeeze into that; and \$250 million to finish up our accreditation project from Prop 10 reimbursements. This is my current understanding of what is in our 2003-2004 budget. It still requires legislative action.

The only changes to this year are Stage 3 and some shifts in our portable program and some re-appropriations that are shifted. This year there's no change of our funds and we are going to try to put out all the money that was approved this year in the way it was approved unless we are told otherwise by the Legislature.

Q: If the budget isn't signed until after the fiscal year begins, is there a mechanism, and would it be a local one or one with the State, to somehow keep the status quo while the plan for local implementation is being put in place?

Michael Jett: These will be implementation discussions that take place as the Legislation is being crafted. I think that it is important that the local perspective be reflected in those discussions. I don't know who will convene those. We've raised the issues and people realize that they need to be addressed somewhere or another this spring, although we don't know how yet. During the implementation discussions, depending on what the Legislature decides, there would be discussions and that is where these issues will be addressed. We believe there is certain urgency to this because people have payroll, they have leases, they have these kinds of things. There would be some sort of plan for transition I would hope that can be put together.

Q: There are a couple of people from Southern California, but I'm from San Diego County and I just don't think this issue is going to reach the public because it looks revenue neutral. I think it is very important that we do get to people locally who will be affected, who haven't realized the impact it will have when there is not an administrative structure, when there is not a funding structure, when there is not a held vision across counties. I just wanted to say that maybe in some

counties there have been news articles, but I can tell you as a fact, I was looking, that there was no mention of the impact to children, and I think we all need to keep our eyes on the children. *Venus Garth, Department of Social Services, Work Services & Demonstration Projects Branch*

Thank you. I revised the information I was prepared to share at lunchtime. This has been an emotional and highly charged discussion. I can tell you what I do know. It has to mostly do with the CalWORKs Stage 1 Child Care. I was making notes of some things that I would like you to consider. They are not in any particular order but one of the first has to do with the transition. I would just say, recognize how slowly government moves when changes are made. I know that the DSS cannot do this without working very closely with CDE. The Governor's budget does not specify the DSS as the single State agency for the Child Care and Development Block Grant. The personnel and administrative reductions in CDE's budget are not accompanied by any increases in the DSS budget. We could not assume that huge responsibility without resources. So some sort of transition is going to have to happen. I am not sure what that is going to be.

As I mentioned earlier, DSS is really trying to determine what the impact of realignment and the child care changes will be on our department. I am serious about sharing your thoughts. My e-mail address is on the CDPAC listing and I would be happy to hear from any of you.

The CalWORKs program was built on flexibility. CalWORKs is a program that is basically run by counties and we must have 58 TANF programs operating in the State of California. So any changes that may happen as a result of realignment will probably be very minimal because those counties already have the authority to set the priorities for their programs. How we work child care into that, if we do assume that responsibility, I really don't know. For Stage 1 child care there is \$474 million identified in the appropriation. That's up \$18.7 million from the current year due to caseload and cost per case increases.

This month, a lot of families will be reaching their 60-month time limits, and the State has estimated that there is about \$65.9 million dollars in associated savings. Many of the estimates include Stage 2 and 3 programs that CDE administers. I can't tell you how they come up with those figures, but that's the figure that has been used and it's specified in the Governor's budget also.

The only other thing that I would like to say is that the Governor's Budget Summary that is on the DOF website really gives us some of the thinking behind the proposals, and you may want to become familiar with it. If you are going to come up with any arguments or any kinds of strategies, I think you need to understand where the Administration is coming from, and a lot of that is explained for both realignment and some of the changes that may occur in child care. They mention the attempt last year to make some changes in the child care structure and how difficult that was, and the pressure on the State's budget based on projected child care costs. There is more in there that might be helpful in understanding and maybe strategizing on what you might want to do. I think that is all I am going to say right now. I'm not really sure with this environment, what can be said to help you do what you need to do because we don't know. There isn't anything on the table to react to or to share with you at this time.

Cheri Schoenborn, Department of Developmental Services

There are some cuts to DDS, but the total budget will actually increase this next year by a total of about \$281 million. A significant portion of that increase is the transfer of a Department of Rehabilitation's Habilitation Services Program to the DDS, and that is about \$114 million in General Fund that transfers from one department to another. A lot of the other increases are coming from federal reimbursements around Regional Centers and the department's efforts to maximize the federal dollars we're bringing into California. I think we are going to see a lot

more departments trying to maximize federal reimbursements in different areas and pretty soon we are going to max out the maximization. There is a significant workload associated with bringing some of these initiatives into play and there will be some new positions in our department to address some of those activities around federal reimbursement.

We are also looking at establishment of statewide purchase of service standards. This was looked at over the past couple of years as we looked at service delivery reform and it just never really got off the ground. Now it is being seriously considered as an attempt to put some equity throughout the State Regional Center system for the kind of services that are purchased for persons with developmental disabilities. In looking at those kinds of services that are most needed for general health and safety kinds of things. This may provide children who are living at home with their families the potential for additional kinds of child care, camps, and those additional family support kinds of services to help those families keep their children at home.

Another initiative that is going provide some General Fund savings is the establishment of a co-pay for services directed towards families who have children ages 3 to 17 living at home. The reason it does not include the birth to 3 population is because we have a federal mandate that we are working under for the Part C program under the Individuals with Disabilities Education Act. The fact is we administer this program though DSS in collaboration with CDE. We serve, at any given time, about 24,000 kids birth to 3 through the Regional Center system and schools serve about an additional 5,000. Schools are just not set up to implement a co-pay for the birth to 3 population. It would probably just not work out for them and we feel that there will be a lot of resistance. Even though this has been considered, and it's still possible that there could be a co-pay for birth to 3, it's something that we don't anticipate will happen. Most of the services children 3 to 17 receive are through the schools, so I don't see that as being a big General Fund reduction.

With the increased federal reimbursements, bringing in the Department of Rehabilitation program and this co-pay, we are looking at adding about 56 positions at DDS. However, over the last couple of years, we've lost so many positions, that we are still going to have fewer positions than we had last year. So we got rid of these positions and now we've got to bring people back in and make these initiatives happen within a very short time frame. I'm going to put something in our packet for next month that will have details on all of this and also I want to encourage you to look at our department's web site for details on the budget.

The State Council on Developmental Disabilities has funds that they receive from the federal government every year for community program development activities. They have about \$1.3 million and there is an application on their web site at www.scdd.ca.gov. Some of these initiatives are addressing after school kinds of programs as family support for children with disabilities.

Last is the State Interagency Coordinating Council, and again Kathi Walker sits as a community representative on that council. We're having an offsite for the membership next week. The Governor appointed 10 additional members to that council in August and so the offsite is to bring them up to speed. The next full meeting will be on March 27th and 28th here in Sacramento at the Holiday Inn Downtown. One of the issues that the council is still very interested in is child care. I know that the TOK Committee is going to be meeting at the end of this month to assess what happened at that Symposium and can maybe come back to the ICC with some recommendations for additional kinds of activities.

Q: When you talk about having a statewide standard for purchase of services, I wonder about the Regional Center system being an entitlement program for those who qualify. Are the standards still being considered as part of an entitlement program?

Cheri Schoenborn: That is a very good question and entitlement is one of those areas that is still on table as is looking at just the whole definition of eligibility and who is eligible for Regional Center services. California has been very fortunate over the years to keep its entitlement program. Looking at a purchase of service standard flies right in the face of the whole entitlement concept and the individual program planning based on the individual and unique needs of every person as opposed to a menu of services. It is going to be a very bumpy ride.

Q: It seems to me like the Regional Center system has really had some difficult times, especially now again with this whole budget situation and being an entitlement program. I think child care can work well with the Regional Centers. In San Joaquin County, the LPC is sponsoring people to go to the All of Us Together Inclusion Institute put on by WestEd and sponsored by CDE. So there is a lot of collaboration, but it is just the difficulty with what I call inadequate funding for an entitlement program and getting folks to actually be involved. And then again the SB 1703 monies, and helping the child care community prepare for a inclusion of kids with special needs, I think that's real important that we know what's going on in the Regional Center system and how we can access the services. We have kids in child care who may need a nurse to come in because of whatever their diagnosis is. The Regional Centers have paid for those services in the past.

Cheri Schoenborn: I think as you approach it from trying to help families to keep children in their home as opposed to out-of-home placements and what kind of supports the community can put in place through the Regional Centers to help families do that, we know it is always better for kids to be at home. It's very, very stressful on families and very trying for them to try to meet all the needs of their child when there are all these issues around it. As I offered earlier, if there is anything we can do to help you get participation with Regional Centers in your activities and planning for services around child care, please let us know and we'll do what we can.

Q: Cheri, can you say again what you said about the TOK? Because we have on Tuesday a community forum based on the plan that we did at that conference.

Cheri Schoenborn: At the end of the month, just the planning committee is going to get together to debrief and look at what is going on. Sharon Rea Zone is handling that, and I think you are probably going to bring something back to this committee as well as too the ICC. Do you want to comment on that?

Sharon Rea Zone: We will be reviewing the event and the report WestEd is putting together. We've been putting together some of the specifics from the evaluations so we'll be talking about all those things and what's next.

Dr. Robert Bates, Department of Health Services

How are we doing at the State Health Department? Well I think we are doing fine under the circumstances. You heard Jean Ross give an excellent presentation this morning and mention some of the cuts in the health area. Certainly some of those, such as changes in the eligibility for Healthy Families or Medi-Cal fee cuts are going to have indirect effects on child care and children. Every time you cut the reimbursements for Medi-Cal, of course, you end up with more problems in terms of access as you have fewer providers to see the patients. Managers are still trying to figure out what this really means. Not just in terms of what is in the budget document but what's behind the budget document. I heard an invitation earlier to e-mail questions, but don't be surprised that we're still trying to figure it out. One of the managers, who may not want

to be quoted on this, said she has been in state service for 20 years and what was amazing to her as this proposed budget was put together was that there was no program information requested or desired. It's understandable, I suppose, as the size of this budget problem is so huge, that the people who had to crunch the numbers didn't want to hear it. They had a few guidelines that they would go by. For example, if it sounded like it was a media program or an outreach program with General Funding, forget it, that's out. So they had guidelines such as that, if you want to call those program guidelines. Just as an example of things that staff are still trying to process, in our Maternal and Child Health budget there is a cut of \$17 million in federal funds. We need to look out for these secondary shifts. As of yesterday morning, our staff wasn't sure whether those federal funds that were being referred to were federal matching funds we can no longer match or some of the federal funds that come under your Title V Social Security Act as the Maternal and Child Health Block Grant. So this is just another one of those backfill shifts for someone else.

Outside the Maternal and Child Health Branch, there are cuts that have been proposed for the Adolescent Family Life Program, the AFLP, which is a case management program for pregnant and parenting teens, which obviously has a secondary effect on child care and preschool kids. Cuts proposed in the Black Infant Health Program, which provides support for families of young children, could also have an effect. As could a cut in the Battered Women Shelter Program, which is one of the domestic violence programs within the State; obviously it could have an effect on that age group. For the most part those were cuts of State General Funds to those programs. This will still leave enough of the programs for them to build on because the AFLP program and the Battered Womens' Shelter Programs are both fairly large programs (\$20 - \$25 million) and the cuts proposed were more like \$4 or \$5 million.

Melissa Miller, Department of Social Services, Community Care Licensing Division

I'm going to talk about Community Care Licensing and Child Care Licensing as if it were in a vacuum. Of course we know that is not true, but in case the things that we have been talking about today do happen and DSS becomes the single state agency, there may be lots of impact on Licensing that we haven't begun to think about or figured out yet. But if we just talk about what is in the budget this year, then it is actually fairly simple and clear, which may be refreshing considering the general tone of our discussion today.

Community Care Licensing is almost a 100 percent General Fund program and it is the source of the largest expenditure of General Fund in DSS. We could sort of see the handwriting on the wall for some time that we were going to be fairly heavily hit. We have, throughout the years before the budget crisis became so evident, been taking some hits in terms of staff and lost a lot of vacant positions and had already begun to feel the pinch of not being able to do what we are statutorily required to be doing here. So one of the exercises that we've done under the leadership of Dave Dodds, who is our new Deputy, is to really look at our priorities for the program and figure out where we should put our limited resources and where we should concentrate our efforts. So we have come up with a program-wide set of priorities and identified our number one priority as complaint investigations. We have found that that's where we've uncovered most of our problems. Those are the things that result in most of our revocation actions. It's really our most productive use of staff to do those and do them well. So that is our top priority, plus we want to continue processing new applications. We want to focus some efforts on monitoring facilities that have already been identified as having problems, those facilities that may have legal actions pending or may be on probation after a legal action. We want to put effort into monitoring our whole criminal exemption process, which I've talked about at other meetings. Those are really our top priorities.

The one thing that sort of gets shuffled to the bottom when we define it this way is our routine annual and triennial visits. That is really where we are taking our hit in terms of the plans that we proposed, which is currently in the budget proposal but we don't know if it will go through. The major change that we propose for the budget, which is to be effective April 1st if it is approved, is that instead of making annual and triennial visits, we will be making visits on a sample basis. We will do a 10 percent sample each year for both family child care and child care centers. Plus, we will visit all those facilities identified in some way as problem facilities. That means they are on what we call a compliance plan, they've been in legal or they're on probation. We estimate that to be another 10 percent of all facilities. So we are proposing instead of making annual visits each year to child care centers and visits every 3 years to family child care centers, we will visit approximately 20 percent of all facilities each year. Obviously this does result in our reduced presence in these facilities but it seems to us to be a better use of our resources than some things that might have happened. The other part of this that is effective in April, is that the counties that do the licensing for family child care will also be held to these same terms, so there will be some reduction in funding to these seven counties.

There are two additional provisions that are proposed to be effective July 1st. One of them has to do with investigation of complaints of certified foster family homes and that doesn't really affect child care. The other one is an increase in licensing fees. This is an across the board doubling of all child care licensing fees and the elimination of the aggregate rate, which allows centers or corporations that have under 25 license facilities to pay one rate rather than an individual rates for each facility. So that will be eliminated and all the other fees will be doubled. That will have a fair impact on centers, particularly those that have more than one facility. Overall, that is where we stand with the budget right now. Of course things can change and we don't know if this is how things will end up. It is kind of a mixed bag for us. It is certainly a reduction in our monitoring presence. We figure we will lose about 84 positions in this. I guess a fortunate aspect of all this is that we do have about that number of vacancies so we aren't having to look at layoffs, we hope. But it is still a fair number of positions and it will reduce protections and our presence in the child care facility.

I guess if there are silver linings that we can possibly see in this, we were able to maintain family child care as a licensed program. As some of you know, whenever there is talk about cuts, family child care gets targeted a lot. There were various discussions about eliminating it or going to a certification program that would be even more minimal, so the fact that we were able to maintain that is a plus. If you have questions I'd be glad to answer them.

Q: Is the Licensing Advocate Program still intact?

Melissa Miller: Yes. The Advocate Program is still intact. One of the things we are finding is that we are using the Advocates for a variety of functions as we lose our regular staff and some of them are pressed into doing things they don't normally do. They have been gracious about it and are still maintaining most of their advocate functions.

Director's Report

Kay Ryan: The Local Planning Conference on February 18th is going to be great. We've turned two days into one day because we have heard that travel is an issue and that being gone for that long would be hard. So, what we did was to make it one really good day. The agenda was designed to be really helpful to all of you in doing the work that lies before us, even though we may not be sure about what exactly that is. We will hear from advocates who have accomplished great things in their states in spite of budget constraints, about what they did and how they did it. There will be time for participants to visit their Legislators during the day and a reception in the

Capitol in the evening. It will be a very full day. We took the one presenter that we really didn't want to lose for that second day and asked her to do a presentation at the CDPAC meeting, which will follow on Thursday after the Wednesday conference. So if you can stay for that, Marcy Whitebook, who is the expert on workforce compensation and retention issues, will be presenting.

Sharron Goldstein shared information from the Budget Subcommittee 2 Hearing: At the Subcommittee Education Finance hearing, chaired by Assembly Member Joe Simitian, one of the items to go on consensus for recommendations to the larger Budget Committee was that Stage 3 Child Care be preserved until the end of the current fiscal year. The motion was unanimously approved by all of the subcommittee members. They will use \$78.8 million in one time only Federal dollars to make up the lost Stage 3 funding and then find another \$20 million from the General Fund or other sources. So Stage 3 may be preserved at least until the end of the fiscal year.

Also, Assembly Member Simitian clarified with staff from the Department of Finance that realignment would be contingent upon approval of the new taxes that would go to the Counties. The realignment plan that the Governor has proposed for 2003-04 is contingent upon the Legislature approving those taxes. If the taxes aren't approved, no realignment. They all go together. However, DOF representatives cautioned that if the taxes aren't approved and realignment doesn't happen, the result could be large cuts in services.

Lynn Lucas *thanked* everyone for attending the meeting. We appreciate your support and will see you at the conference next month.

Meeting Adjournment

ATTENDEES AT JANUARY 15, 2003 CDPAC MEETING

Committee Members

Kathleen Malaske-Samu, Chairperson
Bonnie Parks, Employment Development Department
Earl Peterson, Child Care Consultant
Melissa Miller, California Department of Social Services
Cheri Schoenborn, Department of Developmental Services
Mary M. Emmons, Children's Institute International
Evelyn Mason, Grandparent/Child Advocate/Consultant

Venus Garth, CA Department of Social Services
Joyce De Witt, Public Member
Lynn Lucas, El Dorado County Office of Education
Robert Bates, Department of Health Services
Dianne Philibosian, Public Member
Michael Jett, CDE/CDD
Joyce Hanson, Grandparent/Child Advocate

Participants:

Charlene Tressler, CAPPA/Child Development Associates
Shelly Conner, Yosemite Community College District
Linda Butterfield, Child Development Training Consortium
Shindana Alexander, Supporting Future Growth Child Development Center, Inc.
Linda Brault, Beginning Together/Map- CIHS Sonoma State
Corina Chavez, Public/Private Ventures
Nicole Lobre, Assemblymember Hannah-Beth Jackson
Kelly Graesch, Calaveras County LPC
Dee and Joe Cuney, PCCN
Debbie Eison, Creative Child Care, Inc.
Peyton Nattinger, California Early Childhood Mentor Program
Marilyn Rotnem, Merced County LPC
Pamela Sorlagas, LA Child Care & Development Council
Leilani Reyes, PACE-APP
Gregory Jacobs, San Joaquin County LPC
Mary Arriaga, Fresno County LPC
Anne Rosenthol, Mendocino County LPC
Jennifer Martin-Lopez, UCD Extension
Giuliana Halasz, PACE-APP
Katie Greaves, Sonoma County LPC
Francine Nunes, Placer County LPC
Susan Lippman, Alpine County LPC
Linda Parfitt, CDE/CDD
Lorna Strachan
Kim Thomas, Children's Network of Solano County
Kurt Galvez, Solano Family & Children Services
Kim Johnson, Solano County LPC
Kayla Olver, Inter-Tribal Council of California, Inc.
Barbara Kraybill, Livermore Area Recreation & Park District
Lisa Foster, CRB/ California State Library
Barbara Coulibaly-Robinson, PACE-APP
Joyce Stone, Sacramento County LPC

Mei Kwong, Children's Home Society of California
Jolene Thomas, Shasta County LPC
Carol D. W. Nye, Northeast Regional Resource Center
Kathi Linquist, Contra Costa County LPC
Vicki Boriack, Santa Cruz County LPC
Melinda Waring, Yolo County LPC
Jennifer Dwight-Frost, Amador County LPC
Susan Perry, Lake County LPC
Jean Skinner, Siskiyou County LPC
Louise Johnston, CACSAP
Stacy Miller, Child Care Resource Center
Brett Brown, Natl. Economic Devlpmnt & Law Center
April Befumo, Stanislaus County LPC
Molly Bradshaw, Public/Private Ventures
Jean Miner, Children's Services International
Pat Dorman, On The Capitol Doorstep
Gail Beyer, Madera County LPC
Kathi Walker, El Dorado County LPC
Steve Erwin, KAPLAN
Alex Cooke, On The Capitol Doorstep
Jeanie McLoughlin, San Mateo County LPC
Mark Carlson, Lutheran Office of Public Policy
Cecelia Fisher-Dahms, CDE/CDD
Louise Boley
Beth McGovern, California NOW
Laura VanDervoort, Glenn County LPC
Nancy Strohl, Child Care Law Center
Janene Chico, Inter-Tribal Council of California, Inc.
Marcie Castro, Community Resources for Children
Elissa Provance, WestEd
Merrell Schexnydre
Aja Schexnydre

Staff:

Kay Ryan, Executive Director
Sharon Rea Zone, Research Analyst
Priscilla Jong, Management Services Technician

Sharron Goldstein, Analyst
Leslie Witten-Rood, Analyst
Alex Castillon, Student Assistant